

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – MAY 12, 2004

PRESENT: Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Aidan Moore, Chief of Enforcement; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; Evie Taft, Human Resources Administrator; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; Craig Bulkley, Bureau Chief of Administrative Services.
Guests: Al Picconi, United Beverages, Inc.

EXCUSED: Chairman Anthony Maiola.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports:

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending May 9, 2004 shows retail sales were up almost 3.5%, on-premise sales were up a little over 7.7%, off-premise sales were up 14.5%, and total aggregate sales were up 6.6%. The traffic count increased by 6,154, but the average sales ticket was down by -\$.24.

The W-1 Total Weekly Sales report for the same week confirms total sales were up 6.6% or \$393,374 for the weekly comparison, and were also up 7.7% or \$22,835,254 for the year. Wine sales increased for the week by 5.7% or \$155,736, and increased for the year by almost 7.8% or \$10,680,897. Sales of spirits were up 7.4% or \$237,638, as they were year-to-date by almost 7.7% or \$12,154,557.

B. Budget Reports:

There was nothing of significance to report this week concerning outstanding depletions and post-offs.

Regarding gift cards, Craig reported that Paymentech notified this morning that they have done work which allow the Commission to track specific promotions and provide figures on individual ones. He will keep the Commission posted on this. Also, the National Retail Association magazine is interested in doing a story on the gift card program. Craig would like to include Peter Engel and whoever else should be involved.

Based on conversations last week regarding the HVAC contract, a meeting was held to identify procedures relative to contract administration which will, hopefully, alleviate some problems.

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The ACR contract amendment is at the Attorney General's Office review. It is hoped that it will be ready for the first Governor and Council agenda in June.

The current W-6 Expense Budget Activity Variance Report shows the year to be at about 86.58% completed, with total agency expenditures at around 83.08% of the budget. The utilities line is being watched closely, and funds will be transferred from Class 20, if needed, at the end of the year. Class 70 In-State Travel is doing well at this time.

Evie reported that a representative from Risk Management and one from Liberty Mutual have conducted a worker's compensation evaluation of Stores #73 and #76 in Hampton. The warehouse will be evaluated next week, followed by the Peterborough and Keene stores.

Currently, there is a little over \$1/2 million in worker's comp claims. Part of the reason for this is that Liberty Mutual is beginning to pay off some of the larger claims. There are several employees with older claims which have applied for retirement. Craig and Evie are looking at getting some workers back into the workforce. Both will attend the next Human Resources meeting to further discuss this. Employment Security and Health and Human Services were both approached regarding the possibility of employing some of those who are on worker's compensation who cannot do physical work, but neither agency appeared to be interested.

Commissioner Byrne asked if there were some way to determine as to when the budget would be taking a heavy hit as the result of the claims. Commissioner Russell inquired as to whether or not this could partially be a result of the Commission not having a Human Resources director for an extended period of time. Evie said there are currently three large claims – one which occurred in April 2003, one in October 2003 and one in March 2002. On the positive side, there has only been one claim submitted since mid-March.

2. IT Report

E-licensing training is taking place at Enforcement with very positive feedback.

IT is continuing to work to get credit cards on the web.

II. MARKETING & SALES REPORTS

1. Store Operations:

George reported that, at this time, there has been no response regarding positions numbers for personnel needed to staff the new Seabrook and Bedford stores. Peter expects to hear something soon on the pending Bedford lease.

Total store sales for the week ending 5/9/04 increased by 4.45% or \$206,286.76. The stores alone sold about \$1/4 million in Power Ball tickets. The player activated touch screen terminal project is moving along, with eight locations to be installed. Security on the cash drawers has been tightened.

2. Purchasing Report:

John Bunnell reported that the current out-of-stock situation is in very good condition.

3. Merchandising Report

1) Test Market Products:

a. Test Market Request (Meukow VS Vanilla Cognac):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H. for a new test market listing for Meukow VS Vanilla Cognac, 750ML size (assigned three-digit Code #142), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Broker's London Dry Gin):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./Hood River Distillers for a new test market listing for Broker's London Dry Gin, 750ML size (assigned four-digit Code #3439), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Request (Just Desserts Chocolate Chip Liqueur):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H. for a new test market listing for Just Desserts Chocolate Chip Cookie Cream Liqueur, 750ML size (assigned three-

digit Code #937), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Test Market Request (Chi-Chi's Blue Raspberry Lemonade):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Barton Brands, Ltd. for a new test market listing for Chi-Chi's Blue Raspberry Lemonade, 1.75L size (assigned four-digit Code #5309), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. Test Market Request (99 Oranges):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Barton Brands, Ltd. for a new test market listing for 99 Oranges, 750ML size (assigned four-digit Code #5087), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. Test Market Request (Salvador's Blue & Mango Margaritas):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./David Sherman Corporation for new test market listings for Salvador's Blue Margarita, 1.75L size (assigned four-digit Code #5516) and Salvador's Mango Margarita, 1.75L size (assigned four-digit Code #5518), but not purchase 300 cases of these products in the 50ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

g. Test Market Results (Xalixco Silver and Gold Tequilas):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission vote to delist Xalixco Silver and Gold Tequilas, 750ML sizes, as each failed to achieve the gross profits required for both full distribution and specialty listing at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist, and concurred by

John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) 3-Month Warning Recommendations:

a. 32 full distribution items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve recommendations from Richard Gerrish, Spirits Marketing Specialist, concurred by John Bunnell, Administrator of Marketing & Sales concerning thirty-two (32) full distribution spirit items which either exceeded their yearly gross profit threshold (no change required) or exceeded the yearly gross profit threshold required for specialty status. The motion was unanimously adopted.

b. 25 specialty status items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve recommendations from Richard Gerrish, Spirits Marketing Specialist, concurred by John Bunnell, Administrator of Marketing & Sales concerning twenty-five (25) specialty spirit items which either exceeded their yearly gross profit threshold (no change required) or failed to earn the yearly gross profit threshold required for specialty status. The motion was unanimously adopted.

3) July Special Offers:

a. 3 items – Perfecta Wine Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Perfecta Wine Company, based upon depletions of three (3) spirit items, to be featured on sale during July 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 8 items – M.S. Walker, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions of eight (8) spirit items, to be featured on sale during July 2004, as recommended by Richard

Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 5 items – Pine State Trading Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions of five (5) spirit items, to be featured on sale during July 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 49 items – Executive Wine/Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits/Martignetti Companies of N.H., based upon depletions of forty-nine (49) spirit items, to be featured on sale during July 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Mount Gay 50ML Proposal:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Martignetti Companies of N.H./Remy Amerique for the Commission to make a one-time purchase of Mount Gay Mango Rum (assigned four-digit Code #4395) and Mount Gay Vanilla Rum (assigned four-digit Code #4394), 50ML sizes, at no cost, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) One Time Buy Request (Dalmore Gonzales Byass):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc./Future Brands LLC, for the Commission to make a one-time purchase of Dalmore Gonzales Byass 30-year old single malt scotch, 750ML size (assigned four-digit Code #2626), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Shakers Vodka Demos:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc. to conduct Shakers Vodka informational demos on June 10, 11, 17, 18, 24 and 25, 2004 from 4:00 to 7:00 p.m. at Stores #73 and #76 Hampton, #34 Salem, and #50 and #69 Nashua, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Cruzan Rum Demos:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc. to conduct Cruzan Rum informational demos on May 20, 21, 27, 28 and June 3 and 4, 2004 from 4:00 to 7:00 p.m. at Stores #73 and #76 Hampton, #34 Salem, and #50 and #69 Nashua, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Proposed Wine Sale for August 2004:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a 10% discount off all 750ML cases of wine from August 2 through August 29, 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Special Offers for Fathers Day Sale, June 2004 (9 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of nine (9) wine items, to be featured on sale during the Fathers Day Sale, June 10 through 20, 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Special Offers for July 2004:

a. 10 items – Pine State Trading Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State

Trading Company, based upon depletions of ten (10) wine items, to be featured on sale during July 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 41 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of forty-one (41) wine items, to be featured on sale during July 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Close Outs:

a. 1 item – Perfecta Wine Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a close out price reduction and purchase of one (1) wine item submitted by Perfecta Wine Company, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 64 items – Executive Wine/Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve close out price reductions on sixty-four (64) wine items submitted by Executive Wine & Spirits/Martignetti Companies of N.H., as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) New Hampshire State Liquor Commission Wine Signing:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Kim Crawford Winery of New Zealand, to conduct a bottle signing on May 17, 2004 from 3:00 to 5:00 p.m. at Store #76 Hampton, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Recommended Wine Specialty Products (4 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve four (4) wine codes to be designated as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Recommended Allocated Wines for Distribution to Selected Stores (4 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve four (4) allocated wine items to be distributed to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) “R” Wines for Allocation to Licensees and Retail Distribution (2 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve two (2) “R” wines for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

9) Primary Source Submissions (25 items – exclusive agent; 14 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of twenty-five (25) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and fourteen (14) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS – None.

IV. CHAIRMAN’S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated May 6 through May 12, 2004. The motion was unanimously adopted.

2. Coupon Approvals: None.
3. Late Items/Other:
 - a. Allocations of Restricted Wines:

It was moved by Commissioner Byrne, seconded by Commissioner Russell that, effective immediately, broker submittals need only specify the quantity each market will receive, with specific names of licensees not required, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

It was further moved by Commissioner Byrne, seconded by Commissioner Russell that, effective immediately, stores will no longer be able to access warehouse or another store's inventory information on restricted wines only, and that customer inquiries be referred to the Marketing Department or broker via e-mail for documentation purposes, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

(Commissioner Byrne asked that this information be sent by memorandum to the broker community.)

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford